

Message Text

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TO AMEMBASSY CAIRO PRIORITY

C O N F I D E N T I A L STATE 218980

EXDIS

E.O. 11652: GDS

TAGS: EAID, USEGJC

SUBJECT: EMERGENCY AID TO EGYPT

1. WE SUGGEST IT IS NOW TIMELY TO HOLD ROUNDUP DISCUSSION WITH SALIM, FAHMY, ABU ISMAIL AND SHAFEL, PREFERABLY JOINTLY, ON STATUS OF \$1 BILLION INTERNATIONAL AID EFFORT AND STEPS YET TO BE TAKEN TO BRING TOTAL CLOSER TO TARGET AND TO GET FUNDS FLOWING. AMBASSADOR'S PRINCIPAL OBJECTIVES WOULD BE TO ASSURE THAT GOE HAS CONSISTENT AND ACCURATE APPRECIATION OF STATUS OF OUR EFFORTS AND OF STEPS WHICH EGYPTIANS MUST TAKE NOW TO REALIZE FULL AMOUNT OF IRANIAN CONDITIONAL OFFER, TO OBTAIN IN EFFECT FULL \$100 MILLION EACH FROM JAPAN AND GERMANY FOR CURRENT YEAR'S IMPORT-FINANCING PROGRAM, AND TO OBTAIN IMF FINANCING.

2. CONTEXT: WE UNDERSTAND THAT EGYPT HAS RECEIVED OR HAS COMMITMENTS TO RECEIVE FOREIGN ECONOMIC AID (BOTH PROJECT CONFIDENTIAL

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AND NON-PROJECT) IN CALENDAR YEAR 1975 TOTALLING ABOUT

\$3 BILLION, OF WHICH ARAB NATIONS ARE PROVIDING ABOUT \$2 BILLION, UNITED STATES \$520 MILLION, AND FROM COMBINATION OF IRAN, WESTERN EUROPE, JAPAN AND WORLD BANK ABOUT \$600 MILLION.

3. OF THIS TOTAL, NEW FINANCING OF EGYPT'S CURRENT ACCOUNT PAYMENTS WHICH HAS BEEN PLEDGED SINCE MAY AS RESULT OF US INITIATIVE OR US SUPPORT OF EGYPTIAN INITIATIVES AMOUNT TO \$850 MILLION, WITH PROSPECT OF ADDITIONS RAISING TOTAL TO ABOUT \$1 BILLION. COMPOSITION:

- U.S. \$250 MILLION (FIRM AND PARTIALLY EXECUTED),
- SAUDI ARABIA \$250 MILLION (FIRM AND FULLY EXECUTED),
- IRAN \$250 MILLION (OF WHICH \$100 MILLION DEPENDS UPON GOI-GOE NEGOTIATION OF TIED PROCUREMENT LIST),
- WEST GERMANY \$50 MILLION (FIRM, NOT COUNTING GERMAN OFFER TO EXECUTE IMMEDIATELY APRIL COMMITMENT OF \$60 MILLION NON-PROJECT AID,
- JAPAN \$50 MILLION (FIRM, PLUS POSSIBILITY OF CONVERSION OF \$50 MILLION PROJECT LOAN TO CURRENT IMPORT-FINANCING USES),
- UK \$2 MILLION (TENTATIVE).

IN ADDITION, WE EXPECT SHORTLY FRENCH PLEDGE OF SOMEWHAT LESS THAN \$50 MILLION WE REQUESTED AND WE HAVE ENCOURAGED IMF TO PROCEED WITH NEGOTIATION OF TWO EGYPTIAN DRAWINGS (WITHOUT CONDITIONING EITHER ON DEVALUATION) WHICH COULD TOTAL OVER \$100 MILLION.

4. IN SHORT, EGYPT'S NEED AS CALCULATED IN MAY FOR ABOUT \$1 BILLION IN ADDITIONAL IMPORT FINANCING WILL BE FULLY SATISFIED IF GOE TAKES REMAINING STEPS WHICH ONLY IT CAN TAKE"THAT IS:

(A) NEGOTIATE PROMPT IMPLEMENTATION OF BOTH NEW AND OLD GERMAN NON-PROJECT LOAN OFFERS;
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(B) NEGOTIATE PROMPT IMPLEMENTATION OF NEW JAPANESE NON-PROJECT LOAN AND PROMPT UTILIZATION OF JAPANESE PROJECT LOAN OFFER FOR CURRENT IMPORT PURPOSES (FOR EXAMPLE, FINANCING ALEXANDRIA PORT EQUIPMENT WHICH OTHERWISE WOULD HAVE TO BE IMPORTED IMMEDIATELY, OTHER LOGISTICAL EQUIPMENT, ETC.);

(C) NEGOTIATE WITH IRAN ARRANGEMENTS FOR PROCUREMENT OF IRANIAN GOODS (POSSIBLY INCLUDING OIL) TO UTILIZE CONDITIONALLY OFFERED FINAL \$100 MILLION OF IRANIAN PLEDGE AND IMPLEMENTATION OF UNTIED \$150 MILLION PORTION OF PLEDGE;

(D) NEGOTIATE PROMPT PLEDGE AND IMPLEMENTATION OF FRENCH NON-PROJECT LOAN; AND

(E) NEGOTIATE WITH IMF TERMS OF ECONOMIC PROGRAM (ALONG LINES OF SALIM-MCNAMEARA LETTER) AND DRAW PART OF MAXIMUM CREDIT AVAILABLE FROM THAT SOURCE.

5. THIS DISCUSSION ALSO MAY BE APPROPRIATE OCCASION TO INVITE SHAFI'S VIEWS ON COORDINATION OF EGYPT'S AID-RAISING EFFORTS IN 1976 AND COORDINATION OF VERY LARGE DEVELOPMENT PROJECT PROGRAM NOW SHAPING UP. AN IMPORTANT CONSIDERATION WILL BE HOW BEST TO AVOID TENDENCY OF ARAB AND OECD DONORS TO REDUCE ASSISTANCE IN LIGHT OF THE PLANNED SHARP INCREASE IN U.S. AID TO EGYPT AND OF SECOND SINAI AGREEMENT. IBRD-LED CONSULTATIVE GROUP DISCUSSED IN EARLIER MESSAGES INVOLVING ALL INTERESTED COUNTRIES APPEARS TO BE BEST MEANS OF MEETING ALL THESE REQUIREMENTS.

6. AT EITHER THIS OCCASION OR ANOTHER, AT AMBASSADOR'S DISCRETION, GOE SHOULD BE URGED TO CURE ARREARAGES ON U.S. CCC CREDITS (CURRENTLY EXCEEDING U.S.DOLS 4 MILLION). IN VIEW OF VERY GENEROUS U.S. AID, INCLUDING PENDING ADDITIONAL PL-480 LOAN OF U.S.DOLS 80 MILLION, AND EGYPT'S REPAYMENT OF SOVIET BILATERAL CREDIT ACCOUNTS THROUGH COTTON EXPORTS THIS SUMMER, FAILURE TO MAINTAIN CURRENT PAYMENTS ON U.S. CREDITS IS INCOMPREHENSIBLE. KISSINGER
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